

CPN Retail Growth Leasehold REIT ("CPNREIT") was established on 1 December 2017 from the conversion from CPNRF CPN Retail Growth Leasehold Property Fund ("CPNRF") together with the investment in additional assets i.e. leasehold right in CentralFestival Pattaya Beach Project and Hilton Pattaya for approximately 20-years period ending 31 August 2037. The trust units of CPNREIT were first traded on the Stock Exchange of Thailand on 14 December 2017. Currently, CPNREIT had been invested in 5 shopping malls, which are CentralPlaza Rama 2, CentralPlaza Rama 3, CentralPlaza Pinklao, CentralPlaza Chiangmai Airport and CentralFestival Pattaya Beach, 2 office building which are Pinklao Tower A and Tower B, and Hilton Pattaya.

Economic and Performance Overview

In 2Q18, the Thai economy continues its growth momentum following the GDP expansion by 4.8% in 1Q18. Due to the improving of exports, tourism, private consumption. Overall, the Thai economy is on course for a steady year of growth, according to the Bank of Thailand's revision of forecasted GDP growth in 2018 to 4.4% from the previous forecast of 4.1%. The Bank of Thailand also maintained the policy interest rate at 1.50% during the Monetary Policy Committee meeting in June 2018.

Major Events in 2Q18

- CentralPlaza Rama 3 was fully operated after the completion of major renovation phase 2 at the end of June 2018. The new-look shopping mall features new zones, green area, rest area, co-working space as well as new shops to cater unique experiences to customers with different lifestyles.
- CPNREIT has announced the interim distribution of returns at the rate of Baht 0.3795 per unit trust, which has been paid on 6 June 2018 and paid from the operation period of 1 January 2018 – 31 March 2018.
- CPNREIT was given rated "AA" with "stable" outlook for both company and debenture ratings by TRIS Rating on 25 May 2018 and 29 June 2018. CPNREIT is currently preparing to issue debentures which will be announce upon completion.

Summary of Operating Performance in 2Q18

At the end of 2Q18, the average occupancy rate of shopping malls and office buildings in CPNREIT was 93.6%, increasing from 91.7% as at the end of 1Q18. This was mainly due to an increase of occupancy rate of CentralPlaza Rama 3 from 84.2%, at the end of 1Q18, to 90.3% after the completion of major renovation phase 2. In addition, the occupancy rate of Pinklao Tower A and Pinklao Tower B increased by 5.8% to 88.3%, while the occupancy rates of CentralPlaza Rama 2, CentralPlaza Pinklao, CentralPlaza Chiangmai Airport and CentralFestival Pattaya Beach were relatively close to those as at 31 March 2018. The average occupancy rate for operation period from 1 January to 30 June 2018 of Hilton Pattaya was 94.6%.

Financial and Operating Performance

Income

2Q18, total income was reported at Baht 1,231.5 million, an increase by Baht 378.1 million or 44.3%yoy.

For 2Q18, total income was reported at Baht 1,231.5 million, an increase by Baht 378.1 million or 44.3%yoy. This was mainly the additional investment in CentralFestival Pattaya Beach and Hilton Pattaya, along with the increasing by approximately 13.8%yoy in total income from the existing properties due to the rise of occupancy rate, especially from CentralPlaza Rama 3 was fully operated after the completion of major renovation phase 2 at the end of 2Q18. Other income increased by 40.8 million or 151.1%yoy, as a result of an increase in property tax income. Interest income increased by Baht 0.7 million or 138.1%yoy.

In comparison to 1Q18, total income increased by Baht 47.1 million or 4.0%qoq, mainly due to an increase in rental and service income from CentralPlaza Rama 3 which has been fully operated after the completion of the major renovation phase 2. Other income increased by Baht 34.4 million from an increase in property tax income. Interest income increased by Baht 0.3 million or 25.2%qoq.

Expense

2Q18, total expense of Baht 317.1 million, an increase of Baht 135.1 million or 74.3%yoy.

Total expense for 2Q18 was Baht 317.1 million, an increase of Baht 135.1 million or 74.3%yoy. This resulted mainly from:

- 1) an increase of interest expense by Baht 71.2 million or 398.0% due to borrowing of loan to invest in additional assets of CPNREIT.
- 2) an increase in property expenses by Baht 30.8 million or 20.0% was resulted from an increased by 28.3 million in property management fee, an increase by Baht 6.0 million in selling and administrative expenses, while cost of rental and service decreased by 3.6 million due to the decreased in property tax cost.
- 3) Other management fees and expenses increased by Baht 33.8 million or 320.7% from the change in fee structure due to conversion of CPNRF to CPNREIT.

In comparison to 1Q18, total expense for 2Q18 was decreased by Baht 10.4 million or 3.2%. This was mainly due to the decrease of property expenses by Baht 13.1 million as a result from a decreased in property management fee by 11.6 million due to less tenancy lease renewal and a decreased by 7.2 million in selling and administrative expenses, while cost of rental and service increased by Baht 5.7 million, as a result of the end of supporting in operation expenses by CPN in CentralPlaza Chiangmai Airport in March 2018 which resulting to an increased in cost of rental and service. While other fees and administrative expenses increased by Baht 1.6 million or 3.9%, along with an increased in interest expense by Baht 1.0 million or 1.1%.

Net Investment Income

Net investment income totals up to Baht 897.2 million an increased by Baht 303.6 million or 41.4% from 2Q17.

Net investment income for 2Q18 totaled up to Baht 897.2 million, an increase of Baht 303.6 million or 41.4% from Baht 593.6 million in 2Q17. This was mainly due to the additional investment in CentralFestival Pattaya Beach and Hilton Pattaya, along with the completion of CentralPlaza Rama 3 major renovation phase 2.

In comparison to 1Q18, an increase in net investment income of Baht 57.5 million or 6.7%, due to the increase in total incomes of Baht 47.1 million while total expenses decreased by Baht 10.4 million detailed as mentioned earlier.

Profitability

Net property income margin stood at 85.0%, increased by 3.0% yoy.

Net property income margin for 2Q18 stood at 85.0%, an increased by 3.0% from 2Q17. This is mainly due to the increase of property income by Baht 377.4 million or 44.2% while property expenses increased by Baht 30.8 million or 20.0%. Meanwhile, the additional investment in CentralFestival Pattaya Beach and Hilton Pattaya by borrowing of loan was resulted to an increase of interest expense, along with the change in fee structure due to conversion of CPNRF to CPNREIT. As a result, net investment income margin stood at 74.3%, a decreased by 4.4% from 78.7% as at 2Q17.

In comparison to 1Q18, net property income margin increased from 83.3% in 1Q18 to 85.0%. Net investment income margin stood at 74.3%, representing an increase of 1.9% from a margin of 72.4% in 1Q18. This was mainly resulted from a higher profit margin in 2Q18 compared to 1Q18, resulting from the completion of major renovation phase 2 of CentralPlaza Rama 3.

Balance Sheet Movement

As of 30 June 2018, CPNREIT reported total asset of Baht 46,913.1 million, an increase by Baht 409.2 million.

As of 30 June 2018, CPNREIT reported total asset of Baht 46,913.1 million, an increase of Baht 409.2 million from total assets as of 31 March 2018. This was mainly due to the increase in IP value of CentralPlaza Rama 3 after major renovation.

As of 30 June 2018, Net Asset Value ("NAV") was recorded at Baht 30,071.5 million or Baht 13.5917 per unit, an increase from Baht 13.4040 per unit as of 31 March 2018.

The Distribution of Returns to Unitholder

CPNREIT has announced distribution of returns for 2Q18 at Baht 897.2 million or 0.4055 Baht per unit. CPNREIT will post XD sign on 21 August 2018, followed by Book Closing Date on 23 August 2018 and distribution of returns payment will be made on 6 September 2018.

FINANCIAL SUMMARY

Table 1: Income Statement

Unit: Baht Million	CPNREIT 2Q18	CPNRF 2Q17	Change YoY	CPNREIT 1Q18	Change QoQ
<i>Property income</i>	<i>1,230.4</i>	<i>853.0</i>	<i>44.2%</i>	<i>1,183.5</i>	<i>4.0%</i>
Rental and service income	1,162.6	826.0	40.8%	1,150.1	1.1%
Other income	67.8	27.0	151.1%	33.4	103.1%
Interest income	1.2	0.5	138.1%	0.9	25.2%
Total income	1,231.5	853.4	44.3%	1,184.4	4.0%
<i>Property expenses</i>	<i>184.5</i>	<i>153.7</i>	<i>20.0%</i>	<i>197.6</i>	<i>(6.6%)</i>
Cost of rental and service	36.8	40.4	(8.9%)	31.1	18.3%
Selling and administrative expenses	22.6	16.6	36.2%	29.8	(24.1%)
Property management fee	125.0	96.7	29.3%	136.6	(8.5%)
Interest expense	88.3	17.7	398.0%	87.3	1.1%
Other management fees and expenses	44.3	10.5	320.7%	42.7	3.9%
Total expense	317.1	182.0	74.3%	327.5	(3.2%)
Net investment income	914.4	671.5	36.2%	856.9	6.7%
Distribution	897.2	593.6	51.1%	839.6	6.9%
Distribution per unit (in Baht)	0.4055	0.2683	51.1%	0.3795	6.9%
Net property income margin	85.0%	82.0%	3.0%	83.3%	1.7%
Net investment income margin	74.3%	78.7%	(4.4%)	72.4%	1.9%

Table 2: Balance Sheet

Unit: Baht Million	CPNRF		CPNREIT		
	30-Jun-17	30-Sep-17	31-Dec-17	31-Mar-18	30-Jun-18
<i>Investment at fair value</i>					
Central Rama 2	7,184.0	7,186.0	7,186.0	6,997.0	6,997.0
Central Rama 3	9,192.0	9,179.0	9,179.0	10,151.0	10,525.0
Central Pinklao	5,495.0	5,543.0	5,543.0	5,778.0	5,778.0
Chiangmai Airport	10,531.0	10,494.0	10,494.0	10,653.0	10,653.0
CentralFestival Pattaya Beach	-	-	8,153.8	7,272.0	7,272.0
Hilton Pattaya	-	-	3,754.2	3,450.0	3,450.0
Total investment in properties	32,402.0	32,402.0	44,310.0	44,301.0	44,675.0
Investment in securities	897.0	941.0	990.0	992.1	994.2
Cash on hand and at banks	236.5	273.4	1,052.4	482.1	510.5
Accrued interest income	0.2	0.4	0.1	0.4	0.0
Other assets	162.0	155.7	703.1	728.3	733.4
Total assets	33,697.6	33,772.4	47,055.6	46,503.9	46,913.1
Deposits received from customers	1,142.4	1,184.3	1,424.1	1,460.9	1,488.7
Borrowing	1,831.3	1,917.8	14,453.7	14,456.3	14,459.0
Other liabilities	619.6	530.8	1,715.6	930.7	893.9
Total liabilities	3,593.2	3,632.9	17,593.4	16,847.9	16,841.6
Net Asset	30,104.4	30,139.5	29,462.1	29,656.0	30,071.5
Capital received from unitholders	24,406.2	24,406.2	29,653.4	29,016.4	29,016.4
Equalisation account	-	-	216.1	216.1	216.1
Retained earning (deficit)	5,698.2	5,733.3	(407.3)	423.5	839.0
NAV per unit (in Baht)	13.6066	13.6225	13.3164	13.4040	13.5917

Source: 1) CPNREIT Interim Financial Statements for the three-months and six-months periods ended 30 June 2018 2) CPNREIT Financial Statements from 29 November (date of incorporation) to 31 December 2017 and Independent Auditor's Report 3) CPNRF Interim Financial Statements for the three-months and six-months periods ended 30 June 2017

OPERATIONS SUMMARY

Table 3: Leasable Area and Occupancy

	Area (sqm)		Occupancy Rate ^{/1}			
	GFA	NLA	30 Sep 17	31 Dec 17	31 Mar 18	30 Jun 18
CentralPlaza Rama 2	251,182	82,592	91.8%	93.6%	94.8%	94.8%
CentralPlaza Rama 3	169,740	36,197	58.6%	77.7%	84.2%	90.3%
CentralPlaza Pinklao	137,692	27,603	97.6%	99.2%	99.1%	99.2%
Pinklao Tower A & Tower B	50,653	34,337	84.5%	84.6%	82.5%	88.3%
CentralPlaza Chiangmai Airport	122,991	37,556	93.1%	92.9%	92.3%	93.2%
CentralFestival Pattaya Beach	70,095	29,404	-	97.6%	95.2%	95.7%
Total/Average	802,353	247,689	-	91.0%	91.7%	93.6%
Hilton Pattaya	49,686	302 ห้อง	-	93.4%	97.5%	94.6% ^{/2}

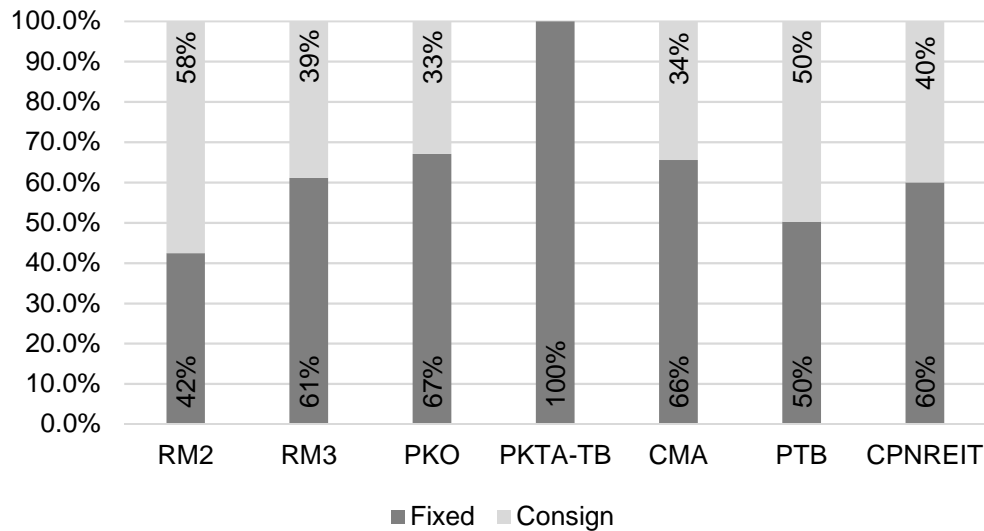
Note: ^{/1} Anchor and in-line tenants only^{/2} Average room occupancy from 1 January to 30 June 2018

Table 4: Renewals and New Leases

	From 1 January to 30 June 2018		
	Renewals and New Leases ^{/1}		
	No. of Leases	Area (sqm)	%of Total ^{/2}
CentralPlaza Rama 2	112	6,817	18.2%
CentralPlaza Rama 3	63	6,569	31.2%
CentralPlaza Pinklao	2	183.25	1.0%
Pinklao Tower A & Tower B	33	6,039	19.9%
CentralPlaza Chiangmai Airport	104	8,845	36.1%
CentralFestival Pattaya Beach	104	8,849	50.6%
Total	418	37,302	24.9%

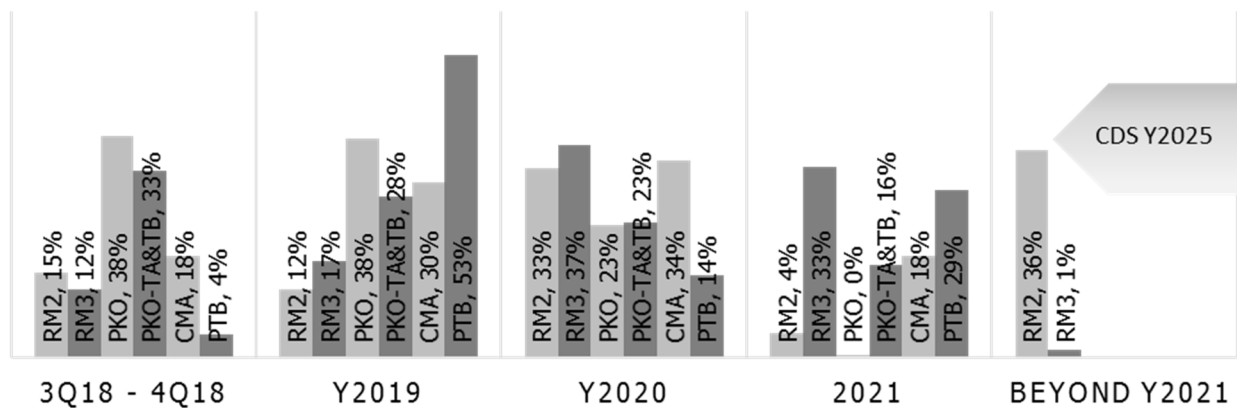
Note: ^{/1} Exclude rental agreements < 1 year^{/2} Percentage of leasable area exclude Anchor area as at 30 June 2018

Graph 1: Rental Structure



Note: As at 30 June 2018

Graph 2: Lease Expiry Profile



Note:

1. Percentage of total occupied area as at 30 June 2018
2. Exclude rental agreements < 1 year